

Sales and Use Tax: SSTP Frequently Asked Questions

When do Arkansas' law changes become effective?

Most of Arkansas' law to comply with the SSTP Agreement will not be effective until July 1, 2007. Please see Acts 1273 of 2003 and Act 2008 of 2005. However, Act 2163 of 2005 is effective July 1, 2005. It allows for Arkansas to provide Amnesty under the SSTP Agreement, accept registration and sales tax returns through the SSTP registration system and pay certified service providers.

Is this a new tax?

No. This is not a new tax. The Streamlined Sales Tax Initiative is a way to make sales tax simpler and more uniform throughout all the participating states.

How will SSTP make it easier for sellers to comply with the tax laws?

There are several ways in which Streamlined is designed to simplify compliance. These include:

Uniform definitions within tax laws: Streamlined provides for definitions of terms that are common in sales tax laws across the country. ***Arkansas is not in compliance with this part of the Agreement yet.***

Tax Rate simplification: States are allowed one state rate plus one additional state sales and use tax rate in limited circumstances such as food and food ingredients or drugs if needed. Currently, there is only one state sales tax rate of 6 percent for SSTP filers. ***For individuals paying through the Simplified Electronic Return (SER), the 1 percent additional state tax for Texarkana is reported as a special taxing jurisdiction.***

Uniform Tax base: If a member state has local jurisdictions that levy a sales and use tax, all local jurisdictions in the state shall have a common tax base. After December 31, 2005 the tax base for local jurisdictions shall be identical to the state tax base unless otherwise prohibited by federal law. This does not apply to sales or use taxes levied on the retail sale of transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes. ***Arkansas' law is not effective until July 1, 2007.***

Uniform Sourcing Rules: Under SSTP, the states must have uniform and simple rules for how they will source transactions to state and local governments. Sourcing is the term used to describe which state and local jurisdictions has the right to tax a transaction. The uniform rules are based on the destination/delivery or receipt by the purchaser and will be the same rules for tangible personal property and services. There is no change or difference in sourcing of over-the-counter sales in Arkansas. ***Arkansas' law is not effective until July 1, 2007.***

Removal of caps and thresholds: States must remove caps and thresholds no later than December 31, 2005, to be a streamlined state. ***Arkansas' law is not effective until July 1, 2007.***

How are vending machines sales taxed under SSTP?

There is no change in how vending machine sales tax is calculated. Under SSTP legislation, taxation of sales of tangible personal property by means of a vending machine remains unchanged.